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AUDIT STAFF

REPORT OF AUDIT

This report presents the findings developed from an audit undertaken pursuant to Audit Staff responsibilities and authorities set forth in organization regulations. Unless otherwise indicated in the report, the audit included review and appraisal of internal controls and procedures and such other audit processes, test checks and verification of accounts, assets and transactions as were considered appropriate and consistent with generally accepted audit standards in the circumstances.

The objectives of the audit were to determine for management whether

- (1) Adequate controls and procedures have been established and are being applied effectively to safeguard organization resources and assure that resources are used only for approved and legal purposes, and
- (2) Activities are being conducted economically, efficiently and in conformance with policy determinations and directives.

Technical Services Division

For the period:

From **1 April 1962**

Through **31 May 1963** **25X1A9A**

Chief, AAE Division

Date **31 July 1963**

This report consists of **4** *pages.*

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**REPORT OF AUDIT
Technical Services Division**

**For the Period
1 April 1962 - 31 May 1963**

GENERAL

25X1A1a 1. The Technical Services Division (TSD) had an approved fiscal year 1963 budget of [REDACTED] and a T/O of [REDACTED] staff employees. Of the total approved budget approximately 54% was for research program activity, 22% for personal services, the bulk of which is staff employee salaries, and the remaining 24% for other operational support activities including overseas installations. 25X9A2

25X1A1a 2. The Division has [REDACTED] Type II property accounts, eleven of which were reviewed during this audit. The eleven accounts reviewed represent about [REDACTED] out of the total property value of [REDACTED] for which TSD has accountability. 25X9A2 25X1A1a

SUMMARY OF FINDINGS AND RECOMMENDATIONS

3. Financial records, procedures, and controls were generally adequate. The records, procedures, and controls of all Type II property accounts require some improvement and in particular instances considerable improvement is needed. Recommendations resulting from our audit are summarized below with detailed comments in referenced paragraphs:

- 25X1A a. Reconcile and balance Property Control Register and Materiel Record Cards. (Paragraph 4)
- 25X1A b. Submit Annual Dollar Value Reports as required by [REDACTED] paragraph 15. (Paragraph 5)
- 25X1A c. Conduct annual inventories as required by [REDACTED] paragraph 12. (Paragraph 6)

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- d. Obtain documentation and authorization for recorded inventory shortages. (Paragraph 7)
- e. Establish responsibility for On Loan Property and maintain records necessary to identify property responsibility. (Paragraph 8)
- f. Review accountable records periodically to ensure compliance with regulations. (Paragraph 9)
- g. Have approving officer assign due dates for advances as required by [REDACTED] and paragraph 67 [REDACTED] (Paragraph 11)

Property Control Register (PCR) and Materiel Record Cards (MRC) Not in Balance

4. Four Type II accounts' [REDACTED]

[REDACTED] PCR's were not in balance with MRC's. Two of these accounts were among six which had not submitted Annual Dollar Value Reports (see paragraph 5). We recommend that these accounts be reconciled and brought into balance.

Annual Dollar-Value Reports Not Submitted

5. Six accounts [REDACTED]

[REDACTED] had not submitted an Annual Dollar-Value Report as required by [REDACTED] paragraph 15, at the time of our audit. We recommend that these reports be submitted.

Records Have Not Been Confirmed by Inventories

6. Three accounts [REDACTED]

[REDACTED] have no record of when an inventory was last conducted, while one account (Applied [REDACTED]) was last inventoried in September 1961. [REDACTED] paragraph 12, requires annual inventories of Type II accounts, operational and security factors permitting. We were not advised of any such factors precluding inventories of the above accounts. We recommend that the appropriate provisions of the regulations be complied with relative to annual inventory verification.

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Recorded Inventory Shortage [REDACTED]
Not Properly Documented or Authorized

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7. Document 36, dated 11 September 1962, records an inventory shortage amounting to \$16,247.21. The document is not authorized properly since only the accountable officer has signed it. We recommend that the shortage be investigated and documented in accordance with [REDACTED] paragraph 8. Additionally, the shortage of \$12,280.85 established by a second inventory taken just prior to our audit should also be investigated and documented in accordance with the cited handbook.

25X1A

Responsibility for Property on Loan is Not
Supported With Hand Receipts

8. Five accounts [REDACTED]

[REDACTED] had either inadequate or incomplete On Loan Files. We recommend that responsibility be established and documented with adequate Hand Receipt Files for all property not under the physical control of the accountable officer and that these files be properly maintained.

25X1A8a

Property Control Registers and Materiel Record Cards
Not Maintained Properly

9. Overall, deficiencies noted in maintaining property records in addition to those enumerated above were applicable in part to all Type II accounts and are as follows:

a. Property Control Register

- (1) Incomplete descriptions relative to the source of property acquisitions.
- (2) No recording of wash transactions.

b. Materiel Record Cards

- (1) Lack of reference between entry on FCR and entry on MRC.

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(2) Lack of property location indicator.

(3) Lack of On Loan information.

We recommend that all accountable officers review their records periodically to ensure compliance with applicable portions [REDACTED]

Obligation Subsidiary Record Not Maintained
On "M" Account Activity

10. TSD budget and fiscal officer has not been maintaining an Obligation Subsidiary Record with supporting documentation for "M" Account activity as required by [REDACTED] (5) and (7). This matter was discussed with appropriate division personnel and they have agreed to establish this record as soon as possible. 25X1A

Due Dates for Advances Not Assigned by Approving Officer

11. Requests for advances are approved without assignment of a due date by the approving official as required by [REDACTED] 6(b) and paragraph 67 of [REDACTED]. The establishment of realistic due dates is an integral part of the Agency's system for the control and administration of advances. We recommend that approving officers assign realistic due dates as contemplated by regulations. 25X1A

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